100 Baggers – Chris Mayer

- The math: 14% CAGR for 30 years. Long holding periods. Rarely sell, and never sell for non-investment reasons.
- Coffee can method: find the best stocks you can and hold them 10 years. Protect yourself against yourself.
- Apple was a 225x from 1990 to 2012, but you needed an 80% loss twice in order to get it.
- Tony's analysis
    - Long runway growing earnings & expanding multiple provides powerful moves
    - Multiple expansion seems to coincide with accelerating earnings growth
    - Attractive opportunities in beaten down stocks with losses just now returning to profitability.
    - Don't sell because of high multiples.
- Note to check out MTY Foods case study on MicroCapClub by Chip Maloney
- Growth in earnings + higher multiple = twin engines of 100 baggers.
- >40% of companies in the market are microcaps – somewhere within will be the big companies of the future.
- Indian study – 5 key factors: small, quality biz & management, growth in earnings, longevity, and favorable price.
- Kevin Martelli – 68% of multibaggers <$300mln mkt cap. Low entry price, great mgmt, and patience needed.
- Don't just look at earnings – capex > D&A, working cap shifts, intangible growth ex: R&D is lasting but expensed.
- If you own a stock compounding 20% for 25 years = 100x. But 20% for 20 years = 40x.
- Know what not to buy – not WMT, MCD, or IBM. Train your mind to think about ideas that could be big.
    - Monster Energy – immigrant entrepreneurs pay $14.5mln for soda & juice co. no real product, distribution, or in-house manufacturing. Decided to focus on Monster Energy. Tested out different products at low costs. Poured into marketing and refining the product. Created brand value and added a Lo-Carb beverage. "If you have a brand that catches on, grows, and hits scale, the costs slowly start to unwind."
    - Amazon – focus on ROICs & FCF. We know the story here…
    - EA – industry subject to changing tech as well as consumer tastes. Erratic profitability due to hits / misses and new product lumpiness. EA dealt directly with retailers, giving them better margins. Experimented with packaging. Focused on games for all consoles. Treated game developers like rock stars. Focus on quality games leads to brand value, exclusive production rights for NFL NBA FIFA etc.
    - Comcast – reported losses like AMZN as it spent heavily on building cable systems, but built a strong network. Made various acquisitions and diversified their business.
    - Pepsi – "A simple business with good margins that just grew and grew into big markets."
    - Gillette – use of tech to expand into new markets and create new products. Would also improve upon old products, even slightly, in order to drive sales. Focused on R&D, was an early adopter in TV advertising.
- Chapter dedicated to Donville ranting about ROEs. Classic. Picked HCG in 2014. GOAT quote: "There is no junk in the portfolio. If one of these guys has a bad quarter, the stock doesn't fall 35%. It falls 3% and then the ROE kicks in, and they are back to normal in no time."
- Horizon-Kinetics on Simon Properties: the Simon family is selling and ETFs are buying mindlessly.
- Look for owner-operators: Rales bros CFX / DHR, etc. Icahn, Malone, Gates, Jobs.
- Interesting dynamic – when insiders sell, weighting in S&P / indices go up rather than down.
- Next outsiders: Howley, Rales, Pearson, NVR, XOM, mini-BRKs: MKL, WTM, FFH. LUK, AZO, CSU.TO.
- Average leverage in BRKs cap structure is 37.5% of total capital – via float.
    - Buffett used other people's money to get rich
    - He borrowed below US government rates, often negative
    - This required willingness to step away / get into the market at the right risk-rewards.
- Real wealth comes from owning and operating and building businesses. Look at holding companies – often complex, underfollowed. Todd Peters – Lyndhurst Alliance.
- Kelly Criterion – the formulas are bunk but idea to bet big on your best ideas remains.
- Look for companies that opportunistically buy back shares at low prices.
- Moat is a necessity. Create industry maps and find where the money is moving.
- Essential principles
    - Look for them
    - Accelerating growth
    - Prefer lower multiples
    - Moats are necessary
    - Smaller companies that can scale
    - Owner-operators
    - Coffee-can approach – patience
    - Filter out noise
    - Get lucky
    - Be a reluctant seller